

# 63rd Annual Report

## Utah Department of Alcoholic Beverage Control

**Kenneth F. Wynn, Director**

**July 1, 1997 to June 30, 1998**

### Summary of Operations

---

#### Background

Utah is one of 19 "control" jurisdictions that control the sale of alcoholic beverages, (18 control states and Montgomery County, Maryland, an affiliate of the control state system). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages. The result: private seller mark-ups are replaced with revenues generated for the state to support public goals of moderation and revenue enhancement.

The Utah Department of Alcoholic Beverage Control is governed by a five member, part time commission. The commission employs a full time director to oversee the day-to-day operation of the department. The policy of the department, as set by statute, is to operate as a public business using sound management principles and practices, and function with the intent of servicing the public demand for alcoholic beverages.

The Department operates a statewide network of state stores and package agencies which sell all alcoholic beverages, except beer containing less than 4% by volume (which is sold in grocery and convenience stores). The department also administers the liquor laws, and regulates the sale, service, storage, manufacture, distribution, and consumption of alcoholic products.

Utah's liquor control system offers definite advantages to Utah's citizens. Liquor sales provide a major source of income to the state's general fund which relieves the taxpayers of a significant tax burden each year and contributes heavily to state government programs, including health and education. In addition, school lunch funds and taxes are collected and dispensed from liquor sales.

Under the provisions of Utah Code Annotated 32A-1-115 (1953), as amended, a \$4,350,000 appropriation from liquor profits maybe distributed each year to cities, towns and counties. The appropriation supplements the budget of each city, town, and county within the state, and is used exclusively for programs or projects related to alcohol prevention, rehabilitation, detection, prosecution, and control. During FY 1998, approximately 2.6 million dollars was distributed.

---

Annual statistical data clearly shows that per capita consumption of alcoholic beverages is significantly lower in control states:

<b>Liquor Control States</b>
------------------------------

Alabama	Mississippi	Oregon	Washington
Idaho	Montana	Pennsylvania	West Virginia
Iowa	New Hampshire	Utah	Wyoming
Maine	North Carolina	Vermont	Montgomery County, Maryland
Michigan	Ohio	Virginia	

<b>Average Consumption Per Capita in Utah</b>		
For Fiscal Year 1998 and Fiscal Year 1997*	FY 98	FY 97
	(in gallons)	(in gallons)
Average Consumption Per Capita in Utah for <b>Spirits</b> :	.701	.706
Average Consumption Per Capita in Utah for <b>Wine</b> :	.765	..750
Average Consumption Per Capita in Utah for <b>Heavy Beer</b> :	.229	.207
Average Consumption Per Capita in Utah for <b>All Products</b> :	1.694	1.663

\*Based on Population of 2,081,000 as of June 30, 1998 and 2,049,000 as of June 30, 1997.

<b>Comparative Gallonage for Utah</b>	FY 1998	FY 1997
	Gallons	Gallons
Whiskey	515,112	518,883
Brandy	33,169	32,632
Gin	59,365	60,446
Rum	146,037	137,146
Vodka	401,860	393,343
Tequila	86,003	81,970
Misc. Liquor	216,382	221,489
Heavy Beer	475,665	424,523
Wine	1,591,656	1,536,065
<b>TOTAL GALLONS</b>	<b>3,525,249</b>	<b>3,406,497</b>

## A Continuing Commitment To Responsible Moderation:

At a time when alcohol is generally regarded as the number one drug problem in America, with millions of adult and teenage problem drinkers, the public responsibility to promote moderation is painfully clear. It's not alcohol itself, but abuse of it that is dangerous. Most drinkers use alcohol in moderation without posing a risk to the safety of others. However, ways must be found to prevent its abuse.

Utah law prohibits the sale of alcoholic beverages

**-to persons under 21 years of age.**

**-to intoxicated people.**

**-to interdicted persons.**

Statement of Operations	FY 1998	FY 1997

Operating Revenue:		
Retail Sales	120,117,360	111,895,874
Military Sales	1,463,622	1,451,233
Total Sales	121,580,981	113,347,107
Cost of Goods Sold	64,044,102	60,234,762
Gross Profit	57,536,880	53,112,344
Permits, Licenses & Fees	1,015,623	767,649
Misc. Other Income	7,423	19,548
Total Other Income	1,023,046	787,197
Total Revenue	58,559,925	53,899,541
Operating Expenses:		
Salaries, Wages & Benefits	8,343,615	7,710,446
Travel Expense	28,960	30,290
Telephone	122,758	112,595
Data Processing	562,553	368,294
P.A. Contracts	987,285	963,523
Postage, Printing & Supplies	406,287	348,807
Professional & Tech. Services	226,040	182,308
Rentals & Leases (Note H)	1,251,671	1,011,004
Utilities	289,239	277,201
Maint. & Repairs/Oper. Supplies	297,780	189,512
Depreciation	873,338	821,569
Insurance & Bonds	42,767	24,854
Cash Over & Short (Note I)	54,448	44,121
Misc. Other Expenses	55,776	85,187
Total Operating Expenses	13,542,514	12,169,709
Other Expenses:		
Claims Against Suppliers	(958)	(142)
Loss From Breakage & Damage	70,647	52,147
Transfer to Other Funds	0	0
Total Other Expenses	69,689	52,005
Total Expenses	13,612,203	12,221,715
Net Operating Income	44,947,722	41,677,827
Less: Taxes Collected		
Sales Tax	6,302,589	5,831,419
School Lunch Tax	12,347,803	11,534,446
Total Taxes Collected	18,650,392	17,365,866
<b>Net Profit</b>	<b>\$26,297,330</b>	<b>\$24,311,961</b>
<b>Current Assets:</b>		
Cash In Banks & Treasurer (Note B)	(3,877,949)	(3,878,579)

Petty Cash & Change Fund	88,550	82,750
Total Cash	(3,789,399)	(3,798,829)
<b>Other Current Assets:</b>		
Accounts Receivable	1,372,983	1,827,484
Inventories (Note C)	10,637,115	9,400,517
Prepaid Expenses (Note D)	(25,054)	7,711
Total Other Current Assets	11,985,043	11,235,713
Total Current Assets	8,195,644	7,439,883
<b>Property &amp; Equipment:</b>		
Land	3,888,878	3,340,957
Buildings	18,840,036	12,704,224
Building Improvements	561,754	561,754
Data Processing Equipment	1,644,171	1,627,494
Furniture, Fixtures & Equipment	1,822,964	1,753,780
Capital Leases	1,638,058	1,653,000
Delivery Equipment	893,950	815,973
Total Property & Equipment	22,289,811	22,457,182
Less: Accumulated Depreciation	(5,846,564)	(5,022,703)
Net Property & Equipment	23,443,247	17,434,479
<b>Total Assets</b>	<b>31,638,891</b>	<b>24,874,362</b>
	<b>FY 1998</b>	<b>FY 1997</b>
<b>Current Liabilities:</b>		
Accounts Payable-(Note F)	7,182,387	5,582,749
Bonds	270,000	190,000
Capital Leases	136,779	158,882
Accrued Payroll	430,450	364,060
Accrued Annual Leave Payable	1,202	1,990
Taxes Payable	(1,008)	(1,279)
Deposit In Lieu of Bond	64,000	72,000
Deferred Revenue	0	221,250
Total Current Liabilities	8,083,811	6,589,652
<b>Long-Term Debt:</b>		
Due To General Fund (Note G)	11,102,578	9,739,818
Bonds	1,286,955	1,259,345
Capital Leases	9,345,000	5,465,000
Total Long Term Debt	21,734,533	16,464,163
<b>Fund Balance:</b>		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(26,297,330)	(24,311,961)
Working Capital	201,000	201,000
Current Profit	26,297,330	24,311,961
Total Advances & Retained		
Earnings	1,820,547	1,820,547
<b>Total Liabilities, Advances &amp;</b>		
<b>Retained Earnings</b>	<b>31,638,891</b>	<b>24,874,362</b>

**NOTE A: ACCOUNTING POLICIES:** The Utah Department of Alcoholic Beverage Control has been designated as an enterprise fund by Section 51-5-5 of the Utah Code Annotated (1953), as amended. The administrative operating budget is subject to legislative controls. The transfer of profits to the general fund is determined by the department's internal accounting system which is on an accrual basis in accordance with generally accepted accounting principles. The current markup, effective October 1, 1985, is as follows: distilled spirits, wine, champagne 61%, and beer 75%. Beginning with the fiscal year ended June 30, 1978, the department has reported its sales at the gross amount based on published prices which includes school lunch, sales, and transit taxes.

**NOTE B: CASH:** All cash receipts are deposited in bank accounts to the credit of the State Treasurer; then, depending on the particular account, these funds are transferred, generally on a daily basis, to the Liquor Control Fund.

**NOTE C: INVENTORIES:** Inventories are valued at FIFO and consist of merchandise stored in our warehouse and each of the outlets (35 stores and 84 package agencies). It also includes general supplies and liquor bags at the warehouse.

**NOTE D: PREPAID EXPENSES:** Prepaid expenses consist of advance payments that have been made for insurance, dues, maintenance agreements, and postage that will be expensed during subsequent periods.

**NOTE E: PROPERTY AND EQUIPMENT:** Property and equipment are stated on the balance sheet at cost and are depreciated on the straight-line method over the estimated service lives of the assets.

**NOTE F: ACCOUNTS PAYABLE:** Accounts payable represent the current liabilities incurred for incoming freight, operating costs, and the purchase of merchandise.

**NOTE G: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND:** During the fiscal year \$307,900 in fixed assets were purchased; therefore, that amount was withheld from the transfer to the General Fund and adjusted to the long term debt due to the General Fund. An amount equal to the depreciation reduces that debt.

**NOTE H: RENTALS AND LEASES:** Leases are the result of competitive bids or negotiations. A standard lease agreement has been developed. The more recent leases now provide for payment of taxes and sometimes insurance when they exceed those of a base period. None of the current leases contain provisions for minimum payment in case of cancellation by the state, but they all contain a provision in case of a change in the law that might have an impact upon the operation of the department.

**NOTE I: CASH OVER AND SHORT:** The department uses a "forced sales" system to determine the sales. If an item is not in the inventory, it is assumed that it has been sold. Delays in reporting shipments, errors in inventories, and other items that are not reported correctly, can create a cash shortage or an overage. This is usually offset from one month to the next.

---

## Liquor Outlets in Operation

State Liquor Stores 36

Package Agencies 86

## Case Sales

Total case sales in all categories of spirituous liquor amounted to 1,297,991 cases in fiscal year 1998, an increase of 50,675 cases from fiscal year 1997:

## Utah Department of Alcoholic Beverage Control Commission

---

### Commissioners

Nicholas E. Hales, Chairman

Carl S. Hawkins

Vickie McCall

Larry V. Lunt

Ted D. Lewis

Commission Meetings: Held monthly at the Department's office in Salt Lake City.

---

### **Executive Administration**

Kenneth F. Wynn, Director

Dennis R. Kellen, Operations Manager

Richard W. Pearson, Administrative Manager

Earl F. Dorius, Compliance & Licensing Manager

---

### **Personnel**

(Positions filled as of June 30, 1998)

Administrative Office 49

Warehouse 28

#### **Stores:**

Full Time Employees 136

Part Time Employees 175

Total Store Employees 311

Total Employees 388

---